

Welikanda Pradeshiya Sabha

Polonnaruwa District

01. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 27 March 2018 and the report of the Auditor General for the year 2017 was issued to the Secretary of Sabha on 19 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Welikanda Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Policies

Store Advance Accounting Procedure had not been followed.

1.3.2 Accounting Deficiencies

Following deficiencies were observed.

- (a) Credit Balances amounting to Rs.1, 109,091 payables for the project of Provincial Roads Week 2017 had been omitted from industrial creditor's accounts.
- (b) Receivable Water income Rs. 809,601 at 31 December of the year under review had not been accounted.
- (c) Accrued expenses aggregating to Rs. 211,572 at 31 December of the year under review had not been accounted.
- (d) Value of the building of Pradeshiya Sabha office that was built by the North Central Provincial Council had not been accounted.
- (e) The receivables Rs. 52,400 for rent out Bako Loader belongs to the Sabha had not been accounted.
- (f) The Cost expended for construction of Welikanda Agri-Economic Center Building belongs to the Sabha had not been identified and accounted.
- (g) The Cost of Rs. 601,720 of removed Office Vehicles Park had not been removed from the accounts.
- (h) A sum of Rs. 216,700 expended for construction of Rain Water descending drainage system in the land of Sewanapitiya week fair belongs to the Sabha had not been capitalized.
- (i) A sum of Rs. 180,000 expended for the construction of Office Vehicles Park in the year under review had not been capitalized.

- (j) A sum of Rs. 1,459,796 expended for the construction of structure can be kept two water store tanks had not been capitalized.
- (k) The receivable loan balances Rs. 22,645 due from three employees in the year under review according to the employee loan register had been omitted from financial statements.
- (l) Court Fines amounting Rs. 272,083 for the December 2016 contained in court fines revenue in the year under review, therefore revenue in the year had been over accounted by such amount.
- (m) Stamp Duty amounting Rs. 159,000 for the November 2016 contained in stamp duty revenue in the year under review, therefore revenue in the year had been over accounted by such amount.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The receivable two accounting balances more than one year at the end of the year under review were aggregating to Rs. 525,715 and out of that Rs.476, 695 were more than three years.

(b) Accounts Payable

Four Credit Accounts Balances aggregating to Rs. 468,474 in financial statements at the end of the year under review had not been settled from the year 2005.

1.3.4 Lack of Written Evidence for Audit

(a) Non submission of information for Audit

Eight account subjects totaling to Rs. 232,782,136 could not be satisfactorily vouched in audit due to the non-submission of necessary information.

1.3.5 Non-compliances with Laws, Rules, Regulations and Management Decisions

Non-compliance to the following laws, rules, regulations and management decisions were observed.

Reference to the Laws, Rules, Regulations and Management Decisions	Amount	Non compliance
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(a) Pradeshiya Sabha Act No. 15 of 1987		

Section 152(1)	33,000	Fees had not been charged for the year under review for 11 Telephone Transmission Towers established in the area of authority of the Sabha.

**(b) National Environmental Act
No. 56 of 1988**

Action had not been taken to identify and issue environmental protection certificates for suitable institutions and follow up actions had not been taken expired environmental protection certificates in the previous years and year under review.

**(c) Pradeshiya Sabha (Financial &
Administrative Rules) 1988**

(i) Rule No. 59 to 63

Action had not been taken to carry out a survey to prepare a list of Trade Enterprises and to charge fees in the area of authority of the Sabha.

(ii) Rule No. 203

Board of Survey had not been held and sent reports to the Auditor General by the Sabha from the year of 2009 to 2017.

(iii) Rule No. 212

3,544,414

70 inventory items purchased in the year under review had not been listed out.

**(d) Financial Regulations of the
Democratic Socialist Republic
of Sri Lanka**

(i) F.R. 104

Primary Reports and Final Investigation Reports had not been prepared about accident occurred in the year under review.

(ii) F.R. 110

Damages Register had not been maintained regarding vehicle accidents

(iii) F.R. 371 2(c)

202,000

Settlement of advance payment taken by secretary of the Sabha at 9 occasions had been delayed in 05-11 months.

(iv) F.R. 880

Guarantee had not been taken from the officers who should keep the guarantee.

(v) F.R. 1647 (e)

A Register including vehicle category, model, registration number, date of handed over, descriptions and other appropriate information had not been maintained by the responsible officers.

**(e) Procurement Guideline of the
Democratic Socialist Republic
of Sri Lanka**

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|---------------------------|---|
| (i) 2.8.1 Guideline | Technical Evaluation Committee had not been established by the Sabha. |
| (ii) 2.11.3 Guideline | Although the reports of the committee meetings should be included according to the certain format in Procurement Manual and certified by the participated members, Sabha had not acted according to that. |
| (iii) 4.2.1 (a) Guideline | Procurement Plan had not been prepared for the year under review by the Sabha. |

(f) Circulars and Letters

Letter of Commissioner of local Government NCP/LG/AC/04/01/02 dated 04 December 2015.	374,775	Although vehicle assigned to the Chairman could be used by the secretary under maximum level of fuel 150 liters per month, it was observed that 3649 liters of fuel had been used over the permitted level.
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02 Financial review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over recurrent revenue of the Sabha for the year ended 31 December 2017 amounted to Rs. 770,804 as compared with the excess of revenue over expenditure amounting to Rs. 4,135,860 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information furnished by the Secretary of the Sabha relating to Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue relevant to the year under review and preceding year are shown below.

Item of Revenue	Estimated Revenue	2017			2016			Cumulative Arrears as at 31 December
		Billed Revenue	Collected Revenue	Cumulative Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	
(i) Rates and Taxes	909,600	365,000	365,000	-	1,385,000	516,209	516,209	-
(ii) Lease	5,667,900	4,495,116	2,823,900	2,562,014	13,034,900	3,749,500	4,669,361	1,999,118
(iii) License Fees	1,067,500	326,720	330,450	651,475	933,750	200,760	201,260	654,800
(iv) Other Revenue	30,639,400	5,053,016	17,610,917	11,938,714	22,109,100	5,742,665	17,653,745	5,711,681
	<u>38,284,400</u>	<u>10,239,852</u>	<u>21,130,267</u>	<u>15,152,203</u>	<u>37,462,750</u>	<u>10,209,134</u>	<u>23,040,575</u>	<u>8,365,599</u>

2.2.2 Performance of Revenue Collection

Although total estimated revenue was Rs.38, 284,400 for the year 2017, it had been observed an over estimate of Rs. 28,044,548 since billed revenue was Rs. 10,239,852 from total estimated revenue. Cumulative Arrears as at 31 December of the year under review was Rs. 15,152,203.

2.2.3 Rates and Taxes

Action had not been taken to collecting garbage taxes for the year under review by the Sabha and receivable arrears garbage taxes from 94 institutes was Rs. 475,200.

2.2.4 Lease Rent

Following matters were observed.

- Although receivable arrears lease rent from sub leased 19 stall rooms in Sewanapitiya town was Rs. 833,247, action had not been taken according to the section 159 (1) of Pradeshiya Sabha Act.
- Action had not been taken to recover the receivable Rs. 52,400 from PibidemuPolonnaruwa Development Project for the Bako Loader Machine belongs to the Sabha.
- Although remaining 50 percent of tender value amounting Rs. 805,750 should be paid to the Sabha by tenderer before 30 June 2017 for the rent out of Welikanda weekly fair, arrears amounting to Rs. 98,152 and penalty on arrears amounting to Rs.18, 801 should be received by 18 January 2018.

2.2.5 Other Revenue

Following matters were observed.

- Action had not been taken to charge notice board fees amounting Rs. 285,612 for the year under review for displayed 33 notice boards from 25 institutes in the area of authority of the Sabha.

- (b) Although fees should be received for construction of telephone transmission towers according to the schedule (v) of gazette no. 1597/8 dated 17 April 2009, action had not been taken to receive fees from 9 telephone transmission towers constructed in the area of authority of the Sabha.
- (c) Although an amount of Tippers between 125 to 150 had been parked in the area of 2.5 – 3 acres in Wadumune Road, Wadumune Track and Welikanda in the area of authority of the Sabha, action had not been taken to supply and recover infrastructure facilities for Vehicle Park and income.
- (d) Three-wheel registration fees should be received from six three-wheel parks situated in the area of authority of the Sabha had not been gathered.

03 Operational Review

3.1 Performance

Observations about fulfilling works of regulate and control matters about public health, public utility services and public roads, welfare of the people and conveniences should be done by the Sabha under section 03 of Pradeshiya Sabha Act are shown below.

(a) By Laws

Although it is identified that by laws should be passed for fulfill major matters under section 126 of Pradeshiya Sabha Act, at least one by law had not been passed to 31 December 2017.

(b) Action Plan

Functions should be fulfilled by the Sabha had not been identified and Annual Action Plan had not been prepared according to that.

(c) Solid Waste Management

Following matters were observed.

- (i) Although survey activities had been finalized by June 2017 in the land extent about 5 acres that given by Sri Lanka Mahaweli Authority in Senapura, Athagala for dumping garbage in the year 2017, ownership of the land had not been assigned legally.
- (ii) Without following a regular methodology for dumping garbage collected daily polythene, plastic and glasses and garbage had been dumped irregularly in the open land situated in Sinhapura 1 post area adjoining Welikanda town without categorizing. In physical observation in January 2018 observed that many health and environmental issues such as increasing flies and mosquitoes, collecting waste in to water sources in rainy season, more effluvia and not decayed waste such as polythene is being scattered everywhere in the land have been arisen and this area had been become wild elephant frequently existing area.
- (iii) Although collecting garbage separately, waste classification, production of compost using decayed waste and sale are the essential services should be done by the Sabha, attention of the Sabha had not been focused to implement regular waste management plan.

(d) Sustainable Development Goals

Since the Sabha had not been aware about sustainable development objectives published by the United Nations organization, it has not been identified what were the objectives relevant to the Sabha, needed allocations to implement these objectives, needed staff for these objectives and other coordinating government organizations.

3.2 Management Inefficiencies

Following matters were observed.

- (a) The Road from near the Samurdi bank to post office situated in 261 – Sewanapitiyathulana which developed by laying 4687 interlock concrete stones expending Rs. 244,303 by the Sabha in the year 2015 had been redeveloped removing laid concrete stones by the Pibidemu Polonnaruwa Project in the year 2017. Action had not been taken to get removed concrete stones to the Sabha from District Secretariat Office.
- (b) A Register including details about street lamps fixed in the area of authority of the Sabha had not been maintained by the Sabha and it was unable to confirm the amount of the Sabha owned street lamps and the amount of repaired street lamps. In addition to this, the register including requests for repairs of street lamps had not been maintained.
- (c) Action had not been taken to possess the Ownership of three vehicles used by the Sabha.
- (d) Store goods had been piled in damaged building adjoining to new Sabha building without arranging regularly.

3.3 Human Resources Management

(a) Vacancies and Surplus of Employees

Following matters were observed.

- (i) There were vacancies in the post of Secretary belongs to the tertiary level, six posts of Development Officers, one post of Management Assistant, one post of Technical Officer and one post of Revenue Inspector belongs to secondary level in the year under review.
- (ii) A Driver, a Road Labourer, a Health Labourer and a Library Labourer had been recruited in addition to the approved cadre.
- (iii) Three Health Labourers, a Driver, two Watchers and a Meter Reader had been recruited on the substitute basis in addition to the approved cadre and out of that there were no written approval of Commissioner of Local Government for three employees.
- (iv) There were vacancies in the post of Revenue Inspector for more years and employees belongs to the primary level (KKS) had been recruited for this post continuously.

3.4 Operational Inefficiencies

Although 19 houses, about 100 shops and 35 other business institutes had been constructed without any permission in road reservation between railway and Baticaloa Colombo main road from Sewanapitiya town to Welikanda town and into 8 kilometers in railway reservation, any action had not been taken about these constructions without permission by the Sabha.

3.5 Transactions in Contentious nature

368 flag posts have been given to Sabha by Divinaguma Development Department for the public utility in the year 2014. Action had not been taken to regain 256 flag posts to the Sabha and out of that 213 flag posts valued to Rs. 283,428 was carried away by former chairman and members of the Sabha.

3.6 Assets Management

3.6.1 Idle and underutilized Assets

Following matters were observed.

- (a) Two tractors belong to the Sabha had been idled for 01 to 03 years and action had not been taken to repair and use for Sabha works.
- (b) A package of equipment for production of rice flour related products valued at Rs.613, 500 given by North Central Province Chief ministry in 17 April 2008 and 24 February 2009 had been idled for over 09 years.
- (c) Reusable tube well equipment removed and given to the Sabha by National Water Supply and Drainage Board had been idled and stored irregularly.
- (d) The Building constructed at Welikanda fair premises for implementation of Solid Waste Project expending about Rs.750, 000 in 2007 had been idled over a period of 10 years. There were only few concrete posts and wall parts in this building. Action had not been taken to repair and use this building.

3.7 Visible Irregularities

Although it had been disclosed that defrauded about Rs. 460,600 when collecting receivable revenue from Sewanapitiya store rooms in the year 2015 and 2016 by the officer who worked as acting Revenue Inspector from the year 2008, action had not been taken up to now.

3.8 Procurement

3.8.1 Contracts Administration

Following matters were observed.

- (a) A sum of Rs. 2,150,000 had been allocated for the development of roads of 30.8 kilometers in the area of authority laying gravel under the Rural Roads Development Week Program (Local Authority Roads Week) - 2017. Only 26.52 kilometers of roads had been developed expending Rs. 1,114,667 from allocations and road surface soil of many roads had been washed away and overgrown weed before ending a month project completed since, motor grading and preparing side drainage without laying gravel for selected all rural roads. Accordingly, expected objectives of allocation for Provincial Roads Week Program had not been fulfilled effectively.
- (b) The contract had not been awarded and invited competitive bids according to the section 3.2.1 of Government Procurement Guideline for the construction of structure estimated valued Rs. 1,340,313

that able to keep two water tanks of 5000 litters capacity to get drinking water to office building of the Sabha. Instead of that, on the administrative committee decision the contract had been awarded directly to the contract institute constructed new Sabha building.

3.8.2 Procurement Committee

- (a) Although it had been observed that officer worked as acting Revenue Inspector had been involved a fraud in the year 2015 and 2016, it had been appointed as a procurement committee member from 01 January 2017 to February 2017. An employee recruited as an office assistant had been appointed as a committee member from 05 February 2017 to 16 August 2017. Secretary and acting technical assistant appointed as committee members were relations.

04. Accountability and Good Governance

4.1 Internal Audit

Internal Audit had not been done in respect of transactions of the Sabha in the year under review.

4.2 Audit and Management Committee

Audit and Management Committee had not been established and meetings had not been held seasonably in the previous years and year under review by the Sabha.

05. Systems and Controls

Systems and Control Deficiencies observed in audit had been directed to the attention of the Sabha from time to time. Special attention is needed in respect of the following areas of systems and controls.

System	Deficiency
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(a) Fixed Assets Control	(i) Fixed Assets Register had not been maintained up to date (ii) Assets had been underutilized.
(b) Accounting	Collecting money and Accounting had not been updated.
(c) Cadre Utility	Regular recruitment procedures had not been followed and recruitment of more than approved cadre.
(d) Revenue Administration	(i) Revenue documents had not been maintained up to date.

- (e) Internal Control

 - (ii) Receivable revenue had not been received.
 - (i) Internal Audit had not been done.
 - (ii) Audit and Management Committee had not been held.

- (f) Debtor/Creditor Control

Receivable and payable accounting balances had not been settled.

- (g) Vehicle Administration

 - (i) Fuel combustion test had not been done according to the circular
 - (ii) Survey of the vehicles had not been done.